

BeiGene (BGNE US)

Strong sales continued in 2Q22

BeiGene maintained strong sales growth momentum in 2Q22, with the product revenue reaching US\$304.5mn (+120 YoY, +16% QoQ), mainly driven by fast sales ramp-up of zanubrutinib (BTK) and tislelizumab (PD-1). Sales of zanubrutinib increased 203% YoY or 23% QoQ to US\$128.7mn in 2Q22, largely driven by the strong sales in the US. Tislelizumab continued to break its record, with the sales in 2Q22 reaching US\$104.9mn (+40% YoY, +20% QoQ). BeiGene continued to optimize its cost efficiency, with the SG&A expenses as percentage of product sales significantly decreased to 109% in 2Q22, compared with 168% in 1Q21 and 156% in 2021. We believe the trend will continue thanks to the fast growing product sales and economies of scale. As of 2Q22, BeiGene has sufficient cash balance of US\$5.7bn, providing a strong support for the Company's R&D activities and global expansion.

- Zanubrutinib to expand its labels in the overseas market.** Zanubrutinib demonstrated its superiority versus ibrutinib in r/r CLL/SLL in its global head-to-head Ph3 ALPINE trial, with an ORR by IRC of 80.4% vs 72.9% ($p=0.0264$). FDA has extended the PDUFA date of zanubrutinib's sNDA for CLL to Jan 2023 to allow more time to review the additional data. With the approval of the CLL indication, we believe the global sales of zanubrutinib will further accelerate in 2023 and beyond. BeiGene plans to release the final results of the ALPINE trial, including PFS data in 2H22E. If the PFS results are positive, zanubrutinib will be further proved to be the global best-in-class BTK inhibitor, which will enable zanubrutinib to gain more market share in the global BTK inhibitor market.
- Tislelizumab is becoming one of the best-selling PD-1 antibodies in China.** Tislelizumab has been approved in China for nine indications with large indications such as 1L nsq-/sq-NSCLC and 2L HCC currently covered by NRDL. We expect tislelizumab to expand its NRDL coverage late this year via simplified renewal procedures with a small price cut to add four additional indications (1L NPC, 2L ESCC, 2L NSCLC, MSI-H/dMMR solid tumors). The sNDA of 1L GC indication is currently under review by CDE, with approval expected in 1H23. In addition, the BLA of 2L ESCC in the US was deferred because of FDA's inability to conduct on-site inspections due to COVID-19 related travel restrictions. BeiGene and Novartis plan to file BLAs for 1L GC, 1L HCC, 1L ESCC, and localized ESCC in the US next year. The BLAs are all supported by Ph3 MRCTs with patients enrolled from the US, including NCT03777657 (1L GC), NCT03783442 (1L ESCC) and NCT03412773 (1L HCC). BeiGene plans to release results of the Ph3 trial of tislelizumab vs sorafenib in 1L HCC in 3Q22E.
- Maintain BUY.** The commercial assets zanubrutinib and tislelizumab will maintain the strong sales momentum driven by label expansion and BeiGene's strong commercial capabilities. The core clinical-stage assets ociperlimab (TIGIT) and BGB-11417 (Bcl-2) will release additional Ph1 data and initiate new pivotal trials in 2H22E. We revised our DCF-based TP from US\$248.52 to US\$252.55 (WACC: 9.20%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (US\$ mn)	308.9	1,176.3	1,430.0	2,190.4	3,410.4
Net profit (US\$ mn)	(1,600.5)	(1,413.4)	(1,623.4)	(1,148.0)	(219.0)
EPS (Reported) (US\$)	(19.13)	(15.23)	(15.69)	(11.10)	(2.12)
Consensus EPS (US\$)	na	na	(12.76)	(10.00)	(5.23)
R&D expenses (US\$)	(1,294.9)	(1,459.2)	(1,503.0)	(1,533.1)	(1,548.4)
CAPEX (US\$ mn)	(117.5)	(262.9)	(320.0)	(100.0)	(100.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$252.55
(Previous TP)	US\$248.52
Up/Downside	29.9%
Current Price	US\$194.47

China Healthcare

Jill WU, CFA

(852) 3900 0842
jillwu@cmbi.com.hk

Andy WANG

(852) 3657 6288
andywang@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	22,028
Avg 3 mths t/o (US\$ mn)	47.69
52w High/Low (US\$)	426.56/118.18
Total Issued Shares (mn)	103

Source: Bloomberg

Shareholding Structure

Amgen	18.5%
Baker Bros	11.4%

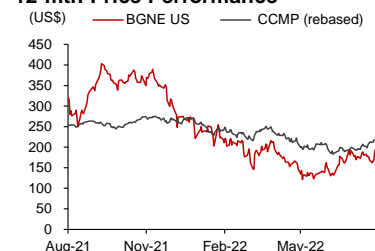
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	7.4%	-3.6%
3-mth	32.0%	26.7%
6-mth	-13.1%	-3.2%

Source: FactSet

12-mth Price Performance



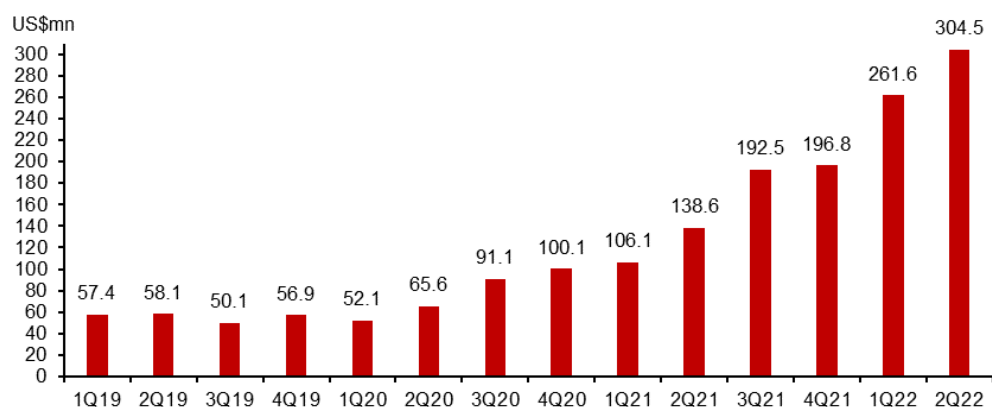
Source: FactSet

Auditor: Ernst & Young

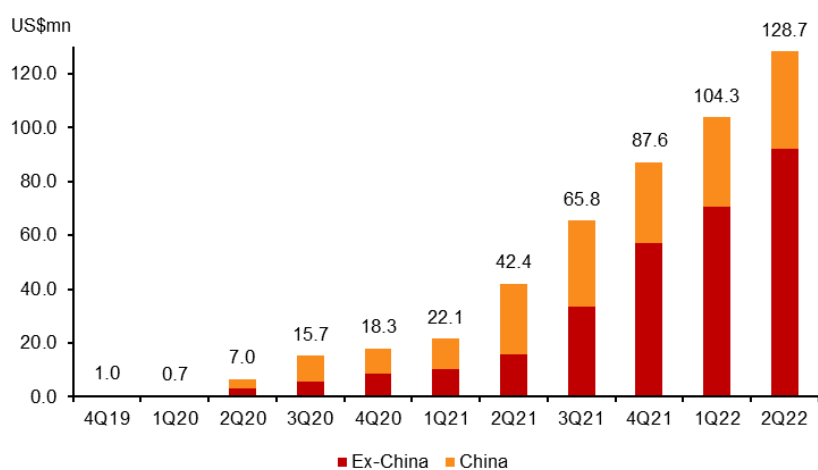
Web-site: <https://www.beigene.com>

Related report:

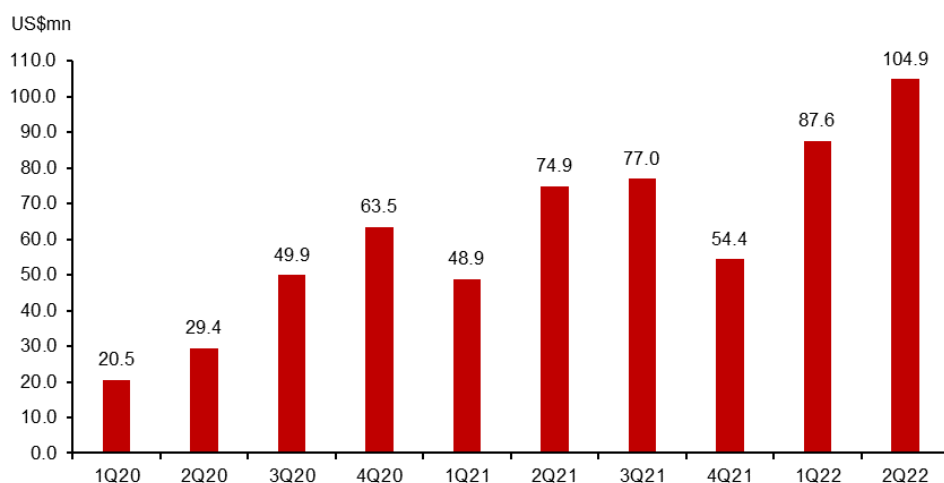
- Positive on the US BLA approval of tislelizumab despite the deferral – 18 Jul 2022
- Harvest season for a global leading biopharma company – 17 Jun 2022

Figure 1: Quarterly product sales of BeiGene (1Q19 – 2Q22)


Source: Company data, CMBIGM.

Figure 2: Zanubrutinib quarterly sales (4Q19 – 2Q22)


Source: Company data, CMBIGM. Notes: Zanubrutinib was originally approved in Nov 2019 in the US.

Figure 3: Tislelizumab quarterly sales (1Q20 – 2Q22)


Source: Company data, CMBIGM. Notes: In 1Q and 4Q21, sales of tislelizumab was impacted by the negative adjustments totalling US\$45.6mn for distributor channel inventory compensation due to price cuts of tislelizumab for additional indications included in NRDL.

Figure 4: Risk-adjusted DCF valuation

DCF Valuation (US\$ mn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	(1,622)	(1,139)	(206)	49	828	1,535	2,146	2,745	3,102	3,253	3,399	3,520	3,567	3,660
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,622)	(1,139)	(206)	42	704	1,305	1,824	2,333	2,636	2,765	2,889	2,992	3,032	3,111
+ D&A	67	70	72	74	76	78	79	81	82	84	85	86	87	88
- Change in working capital	270	(87)	(110)	(146)	(142)	(97)	(84)	(67)	(22)	15	20	26	39	31
- Capex	(320)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
FCFF	(1,604)	(1,256)	(344)	(130)	538	1,185	1,720	2,247	2,597	2,764	2,893	3,004	3,057	3,130
Terminal value														52,027
PV of enterprise (US\$ mn)	21,742													
Net debt (US\$ mn)	(4,389)													
Equity value (US\$ mn)	26,131													
No. of ADS (mn)	103													
DCF per ADS (US\$)	252.55													
Terminal growth rate	3.0%													
WACC	9.20%													
Cost of Equity	11.5%													
Cost of Debt	4.5%													
Equity Beta	0.9													
Risk Free Rate	2.5%													
Market Risk Premium	10.0%													
Target Debt to Asset ratio	30.0%													
Effective Corporate Tax Rate	15.0%													

Source: CMBIGM estimates

Figure 5: Sensitivity analysis (US\$)

Terminal growth rate	WACC				
	8.20%	8.70%	9.20%	9.70%	10.20%
4.0%	362.92	318.28	282.47	253.17	228.79
3.5%	335.37	297.33	266.20	240.31	218.48
3.0%	313.13	280.05	252.55	229.37	209.60
2.5%	294.78	265.56	240.94	219.95	201.87
2.0%	279.40	253.24	230.94	211.75	195.08

Source: CMBIGM estimates

Figure 6: CMBIGM estimates revision

US\$ mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	1,430	2,190	3,410	1,398	2,206	3,340	2%	-1%	2%
Gross Profit	1,110	1,722	2,750	1,086	1,734	2,697	2%	-1%	2%
Operating Profit	(1,632)	(1,149)	(216)	(1,656)	(1,137)	(269)	NA	NA	NA
Net profit	(1,623)	(1,148)	(219)	(1,648)	(1,136)	(272)	NA	NA	NA
EPS (US\$ per ADS)	(15.7)	(11.1)	(2.1)	(16.0)	(11.0)	(2.7)	NA	NA	NA
Gross Margin	77.62%	78.60%	80.64%	77.68%	78.57%	80.76%	-0.06 ppt	+0.02 ppt	-0.11 ppt

Source: Company data, CMBIGM estimates

Figure 7: CMBIGM estimate vs consensus

US\$ mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	1,430	2,190	3,410	1,408	2,120	2,891	2%	3%	18%
Gross Profit	1,110	1,722	2,750	1,144	1,743	2,356	-3%	-1%	17%
Operating Profit	(1,632)	(1,149)	(216)	(1,618)	(1,293)	(887)	N/A	N/A	N/A
Net Profit	(1,623)	(1,148)	(219)	(1,613)	(1,238)	(878)	N/A	N/A	N/A
EPS (US\$ per ADS)	(15.7)	(11.1)	(2.1)	(12.8)	(10.0)	(5.2)	N/A	N/A	N/A
Gross Margin	77.62%	78.60%	80.64%	81.26%	82.21%	81.51%	-3.64 ppt	-3.62 ppt	-0.86 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (US\$ mn)						
Revenue	428	309	1,176	1,430	2,190	3,410
Cost of goods sold	(71)	(71)	(165)	(320)	(469)	(660)
Gross profit	(71)	238	1,011	1,110	1,722	2,750
Operating expenses	(1,317)	(1,896)	(2,450)	(2,742)	(2,871)	(2,966)
SG&A expense	(388)	(600)	(990)	(1,238)	(1,337)	(1,417)
R&D expense	(927)	(1,295)	(1,459)	(1,503)	(1,533)	(1,548)
Others	(1)	(1)	(1)	(1)	(1)	(1)
Other income	16	39	0	8	1	(3)
Pre-tax profit	(1,372)	(1,618)	(1,439)	(1,623)	(1,148)	(219)
Income tax	(7)	18	25	0	0	0
Net profit	(1,379)	(1,601)	(1,413)	(1,623)	(1,148)	(219)
Minority interest	(2)	(4)	0	0	0	0
Adjusted net profit	(1,377)	(1,597)	(1,413)	(1,623)	(1,148)	(219)
BALANCE SHEET	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (US\$ mn)						
Current assets	1,173	4,961	7,614	5,833	4,818	4,780
Cash & equivalents	618	1,382	4,376	2,777	1,512	2,155
Account receivables	71	60	483	281	414	588
Inventories	29	89	243	263	379	524
Financial assets at FVTPL	365	3,269	2,242	2,242	2,242	1,242
Other current assets	91	160	271	270	270	270
Non-current assets	440	640	1,032	1,278	1,308	1,336
PP&E	242	358	588	840	871	899
Deferred income tax	38	66	110	110	110	110
Intangibles	6	5	47	47	47	47
Other non-current assets	153	211	287	280	280	280
Total assets	1,612	5,601	8,646	7,111	6,126	6,117
Current liabilities	310	1,075	1,600	1,688	1,851	2,061
Short-term borrowings	0	335	428	428	428	428
Account payables	122	232	262	351	514	723
Tax payable	13	20	21	21	21	21
Other current liabilities	174	488	888	888	888	888
Non-current liabilities	166	656	803	803	803	803
Long-term borrowings	83	184	202	202	202	202
Deferred income	0	0	220	220	220	220
Other non-current liabilities	83	473	381	381	381	381
Total liabilities	477	1,732	2,403	2,491	2,654	2,864
Share capital	2,926	7,415	11,191	11,191	11,191	11,191
Retained earnings	(1,956)	(3,553)	(4,966)	(6,590)	(7,738)	(7,957)
Other reserves	(8)	7	18	18	18	18
Total shareholders equity	962	3,869	6,243	4,619	3,471	3,252
Minority interest	16	0	0	0	0	0
Total equity and liabilities	1,455	5,601	8,646	7,111	6,126	6,116
CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(1,372)	(1,618)	(1,439)	(1,623)	(1,148)	(219)
Depreciation & amortization	19	32	46	67	70	72
Tax paid	(7)	18	25	0	0	0
Others	182	285	68	270	(87)	(110)

Net cash from operations	(1,178)	(1,283)	(1,299)	(1,286)	(1,165)	(257)
Investing						
Capital expenditure	(90)	(118)	(263)	(320)	(100)	(100)
Acquisition of subsidiaries/ investments	(1,169)	(5,690)	(2,191)	0	0	0
Net proceeds from disposal of short-term investments	1,882	2,751	3,147	0	0	1,000
Others	(69)	(112)	(52)	0	0	0
Net cash from investing	554	(3,168)	641	(320)	(100)	900
Financing						
Net borrowings	67	434	423	0	0	0
Proceeds from share issues	0	4,232	3,443	0	0	0
Others	18	537	(229)	0	0	0
Net cash from financing	86	5,203	3,637	0	0	0
Net change in cash						
Cash at the beginning of the year	741	621	1,390	4,383	2,777	1,512
Exchange difference	(10)	18	14	0	0	0
Cash at the end of the year	193	1,390	4,383	2,777	1,512	2,155
GROWTH	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Revenue	na	(27.9%)	280.8%	21.6%	53.2%	55.7%
Gross profit	na	(434.6%)	324.6%	9.8%	55.1%	59.7%
Net profit	na	16.1%	(11.7%)	14.9%	(29.3%)	(80.9%)
Adj. net profit	na	16.0%	(11.5%)	14.9%	(29.3%)	(80.9%)
PROFITABILITY	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Gross profit margin	(16.6%)	77.1%	86.0%	77.6%	78.6%	80.6%
Adj. net profit margin	(321.5%)	(517.0%)	(120.2%)	(113.5%)	(52.4%)	(6.4%)
GEARING/LIQUIDITY/ACTIVITIES	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Net debt to equity (x)	(0.8)	(1.1)	(1.0)	(1.0)	(0.9)	(0.9)
Current ratio (x)	3.8	4.6	4.8	3.5	2.6	2.3
Receivable turnover days	47.7	77.6	84.3	80.0	80.0	80.0
Inventory turnover days	114.8	304.4	367.3	300.0	295.0	290.0
Payable turnover days	604.4	915.5	547.1	400.0	400.0	400.0
VALUATION	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
P/E	n/m	n/m	n/m	n/m	n/m	n/m
P/B	112.0	58.3	64.1	56.6	75.3	80.4

Note: The calculation of net cash includes financial assets. Source: Company data, CMBIGM estimates

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of Citic Securities (HK))

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc..") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.